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To the Market Advisory Committee:

Comments on the "Recommendations for Designing a Greenhouse Gas Cap-and-Trade System for California," June 1, 2007 draft report

First and most importantly, thank you for your work to help implement California's Global Warming Solutions Act.

The following comments are intentionally very brief as others have written in much greater detail with the supporting justification. My intent is to simply inform you of my support on these critical policy issues being addressed by the Recommendations and encourage your support on these matters.

Although a carbon tax approach for market-based greenhouse gas emission reductions is the preferred choice among economists due to its transparency and efficiency, it appears the Market Advisory Committee has rejected that approach in favor of a cap and trade system.

With that primary policy decision apparently made, the next decision is on the process for allocating the carbon emissions credits available. In order to avoid the problems with the EU system, and acknowledging the value of these emission credits it's vitally important that all carbon emission allowances should be auctioned with no free allocation. Use the funding generated to provide support for those sectors that are determined to be unreasonably impacted.

The purchase (and abuse) of offsets has the potential to eliminate any progress on the reduction of actual emissions. If offsets are allowed they should be limited to real-time reductions, not future promises and, at least initially, offsets should be limited to emission offsets produced in North America.

I hope you'll agree and support these critical policy decisions,

Sincerely,

Ken Wells